

Message Text

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FM AMEMBASSY LISBON

TO SECSTATE WASHDC 0673

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY HELSINKI

AMEMBASSY LONDON

AMCONSUL LOURENCO MARQUES

AMCONSUL LUANDA

AMEMBASSY MADRID

AMEMBASSY MOSCOW

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY VIENNA

CINCLANT

USMISSION EC BRUSSELS

USMISSION GENEVA

USMISSION NATO

AMCONSUL OPORTO

AMCONSUL PONTA DELGADA

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SUBJ: LABOR MINISTER SPEAKS TO AMERICAN MEN'S CLUB

REF: LISBON 3729

SUMMARY: LABOR MINISTER, WHILE GUEST OF HONOR AT AMERICAN MEN'S CLUB, DELIVERED SPEECH DESCRIBING OVERALL PORTUGUESE LABOR SITUATION AND EMPHASIZING THAT FOREIGN INVESTMENT IS WELCOME IN PORTUGAL -- IF IT IS NOT FOR PURPOSE OF EXPLOITING CHEAP LABOR. MINISTER ALSO EMPHASIZED GOVERNMENT'S INTENT TO DEMAND COMPLIANCE BY LABOR AND MANAGEMENT ALIKE WITH PORTUGAL'S NEW LABOR LAWS. END SUMMARY.

1. LABOR MINISTER COSTA MARTINS WAS GUEST OF HONOR AT SEPT 25 LUNCHEON OF AMERICAN MEN'S CLUB. LUNCHEON WAS EXCEPTIONALLY WELL ATTENDED AND MINISTER WAS CORDIALLY RECEIVED.

2. COSTA MARTINS BEGAN BY REFERRING TO "CATASTROPHIC" SOCIAL SITUATION INHERITED FROM DEPOSED REGIME, WHICH INCLUDED UNACCEPTABLY LOW LIVING STANDARDS FOR PORTUGUESE WORKERS AND CONSEQUENT EMIGRATION (PRESUMABLY BOTH TO BRAZIL AND WESTERN EUROPE OF "ONE MILLION" PORTUGUESE CITIZENS. GOVERN THESE INTOLERABLE CIRCUMSTANCES, GOVERNMENT HAD TO TAKE IMMEDIATE ACTION TO IMPROVE SITUATION. CONSEQUENT RAISING OF NATIONAL MINIMUM WAGE TO \$143/MO. (SOME WORKERS WERE RECEIVING AS LITTLE AS \$56/MO.) BENEFITTED ABOUT HALF THE ACTIVE POPULATION. THOUGH GOVERNMENT AGREES WITH WORKER OBJECTIONS THAT THE NEW MINIMUM WAGE IS NOT NEARLY ENOUGH, IT REPRESENTS MAXIMUM WHICH GOVERNMENT BELIEVES ECONOMY CAN AFFORD AT THIS TIME.

3. HOW WILL MINIMUM WAGE AFFECT FOREIGN FIRMS IN PORTUGAL? MINISTER SAID THAT FIRMS IN PORTUGAL TO EXPLOIT CHEAP LABOR COULD NOT EXPECT TO CONTINUE THEIR OPERATIONS. HE ALSO MADE IT CLEAR THAT SUCH FIRMS WERE OF NO "GREAT INTEREST" TO GOVERNMENT. HE PAID TRIBUTE TO "GREATER PART" OF FOREIGN COMPANIES WHICH, HE SAID, WERE ALREADY PAYING THEIR WORKERS IN EXCESS OF \$132/MO. BEFORE APRIL 25.

4. COSTA MARTINS COMMENTED ON PROVISIONS OF STRIKE LAW (REFTEL), EXPLAINING AND DEFENDING ITS RESTRICTIONS ON LIMITED OFFICIAL USE
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WORKERS' USE OF THEIR RIGHT TO STRIKE. HE ACKNOWLEDGED THAT STRIKES ARE "NORMAL" IN CAPITALIST COUNTRIES, WHICH IS THE PRICE TO BE PAID IF ONE WISHES TO LIVE IN A DEMOCRACY. HE ALSO ASSERTED THAT CURRENT STRIKE SITUATION IS "MORE STABLE" THAN TWO OR THREE MONTHS AGO AND THAT "EVERYTHING POINTS TO A CALMER SITUATION".

5. LABOR MINISTER'S MOST NOTABLE PRONOUNCEMENT CONCERNED FOREIGN INVESTMENT. COSTA MARTINS DECLARED THAT "THE RIGHTS OF THE FOREIGN INVESTOR ARE FIRMLY

GUARANTEED" AND ARE WELCOME--AGAIN, PROVIDED THAT THEY ARE NOT CARRIED OUT IN ORDER TO EXPLOIT CHEAP LABOR.

6. RESPONDING TO WRITTEN QUESTIONS, COSTA MARTINS MADE THE FOLLOWING ADDITIONAL POINTS:

A. WHO WILL RESOLVE OR INTERPRET LAW IN CASE OF DISPUTES? DEPENDING ON CIRCUMSTANCES, CRIMINAL COURTS OR LABOR COURTS WILL HAVE JURISDICTION WITH, IN SOME CASES, MINISTER OR SECRETARY OF STATE FOR LABOR BEING EMPOWERED TO RESOLVE DISPUTES BY DECREE.

B. SHOULD GOP INTERVENE IN LABOR DISPUTES WITH FORCE? THE LAW IS MEANT TO BE COMPLIED WITH. DISPUTES WHICH AROSE IN PERIOD BEFORE PROMULGATION OF LAW WILL BE CONSIDERED SPECIAL SITUATIONS TO BE DECIDED ON CASE-BY-CASE BASIS. IN THE FUTURE, HOWEVER, GOP WILL NOT ALLOW EITHER MANAGEMENT OR LABOR TO VIOLATE LAWS WITH IMPUNITY. NEITHER WILL GOP DESIST FROM INTERVENING, IF NECESSARY WITH FORCE, WHEN LABOR DISPUTES INVOLVE QUESTIONS OF NATIONAL INTEREST (IN CRITICAL SECTORS OF THE ECONOMY).

C. WHEN WILL REST OF LABOR LEGISLATION BE FORTHCOMING? DRAFT LAW ON COLLECTIVE BARGAINING IS NOW UNDER CONSIDERATION IN LABOR MINISTRY; DRAFTS ON UNIONS AND EMPLOYER ASSOCIATIONS ARE AT MORE ADVANCED STAGE, BEING CONSIDERED BY THE COUNCIL OF MINISTERS. THE INTENSE WORK LOAD BORNE BY LABOR MINISTRY ACCOUNTS FOR THE DELAY IN ISSUANCE OF THIS NEEDED LEGISLATION.

7. COMMENT: LUNCHEON PROVIDED LABOR MINISTER WITH AN OPPORTUNITY WHICH, WE UNDERSTAND HE HAS BEEN SEEKING, TO GET ACROSS MESSAGE OF REASSURANCE TO AMERICAN BUSINESSMEN ACTIVE IN PORTUGAL. WHILE COSTA MARTINS MADE NO BONES ABOUT LIMITED OFFICIAL USE

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GOP'S DISINTEREST IN FIRMS THAT ARE HERE TO EXPLOIT CHEAP LABOR, THE THRUST OF HIS MESSAGE WAS CLEARLY UPBEAT: PORTUGAL IS A SAFE PLACE TO INVEST IN AND WELCOMES FOREIGN CAPITAL. HIS EXAGGERATEDLY SOOTHING DESCRIPTION OF CURRENT STRIKE SITUATION (WHICH STATISTICALLY MAY INDEED INVOLVE FEWER THOUGH NOT LESS DRAMATIC STRIKES THAN PREVIOUSLY) SIMILARLY SERVED THIS PURPOSE.

8. ONE OF THE MORE NOTEWORTHY PORTUGUESE GUESTS IN ATTENDANCE WAS BRIG. SARAIVA DE CARVALHO, MILITARY GOVERNOR OF LISBON AND DEPUTY HEAD OF COPCON (CIVIL DISTURBANCE INTERVENTION COMMAND). LISBON DAO (WHO WAS RESPONSIBLE FOR BRINGING CARVALHO TO LUNCHEON) TOOK ADVANTAGE OF OCCASION TO INVITE HIM TO BE MEN'S CLUB'S NEXT SCHEDULED SPEAKER, AN INVITATION HE ACCEPTED IN PRINCIPLE.

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